BURGIN INDEPENDENT SCHOOL DISTRICT AUDIT REPORT JUNE 30, 2018

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WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 31, 2018

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, or the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 10, 58 through 59, and 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgin Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2018, on our consideration of Burgin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burgin Independent School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

As management of the Burgin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance was $805,340. The ending fund balance was $790,477. General fund revenues increased $587,801 and expenditures increased $586,129 as compared with the prior year. The General Fund transferred $17,447 to the Special Revenue Fund for the technology grant match and $32,306 to the Debt Service Fund for debt service payments.
- The District had $6,200,251 in revenue and $6,387,852 in expenses.
- The District, through routine debt service, reduced bond debt through the Debt Service Fund. Total bond and lease principal payments for fiscal year 2018 were $252,217 and the District paid an additional $129,574 in interest payments.
- The District's total net position decreased by $187,601. Current assets decreased $18,270, non-current assets decreased $167,464, and total liabilities increased $1,655,259.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are agency funds that account for activities of student groups and other types of activities requiring clearing accounts. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 55 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by $1,627,068 as of June 30, 2018.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2018 and June 30, 2017

A comparison of June 30, 2018 and June 30, 2017 government wide net position is as follows:

	Governmental Activities		Business – Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 959,422	$ 968,012	$ 4,300	$ 13,980	$ 971,281	$ 981,992
Net Capital Assets	4,022,021	4,212,807	23,821	499	4,045,842	4,213,306
Deferred Outflows	563,868	362,595	87,800	-	651,668	362,595
Total Assets and Def Outflows	5,545,311	5,543,414	115,921	14,479	5,668,791	5,557,893
Current Liabilities	304,298	326,789	190	-	304,488	326,789
Non-Current Liabilities	6,520,841	5,116,880	273,599	-	6,794,440	5,116,880
Deferred Inflows	163,062	61,958	26,310	-	189,372	61,958
Total Liabilities and Def Inflows	6,988,201	5,505,627	300,099	-	7,288,300	5,505,627
Net Position						
Net Investment in Capital Assets	114,150	52,719	23,821	499	137,971	53,218
Restricted	142,745	108,819	(207,999)	13,980	(57,695)	122,799
Unrestricted	(1,699,785)	(123,751)	-	-	(1,699,785)	(123,751)
Total Net Position	$ (1,442,890)	$37,787	$ (184,178)	$ 14,479	$(1,619,509)	$ 52,266

Deferred outflows increased by $289,073 and total liabilities increased $1,655,259. Deferred inflows increased by $127,414. A significant portion of the increases was related to the implementation of GASB No. 75.

The following table presents a comparison of revenues, expenses and changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

	Governmental Activities		Business – Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	$ 49,516	$2,995	$ 90,024	$ 105,420	$139,540	$ 108,415
Operating grants and contributions	869,711	689,091	197,238	179,366	1,074,508	868,457
Capital grants	3,932	4,419			3,932	4,419
General revenues						
Property taxes	1,585,873	1,458,295			1,585,873	1,458,295
Motor vehicle taxes	154,486	165,546			154,486	165,546
Utility Taxes	146,421	128,519			146,421	128,519
Other taxes	15,509	12,411			15,509	12,411
Investment earnings	1,207	1,207			1,207	1,207
State and formula grants	3,001,543	2,610,344			3,001,543	2,610,344
Miscellaneous	84,791	93,090			84,791	93,090
Fund Transfer	10,947	14,248	(10,947)	(14,248)	-	-
Total revenues	5,923,936	5,180,165	276,315	270,538	6,207,810	5,450,703
EXPENSES						
Program Activities						
Instructional	3,991,147	3,179,654			3,991,147	3,179,654
Student support	161,605	103,365			161,605	103,365
Instructional staff Support	203,331	211,864			203,331	211,864
District administrative support	234,330	173,124			234,330	173,124
School administrative support	383,075	282,628			383,075	282,628
Business support	165,736	180,754			165,736	180,754
Plant operations and maintenance	511,225	426,865			511,225	426,865
Student transportation	241,372	175,281			241,372	175,281
Community service activities	52,254	41,594			52,254	41,594
Debt Service	128,849	133,633			128,849	133,633
Business-type Activities						
Food service			314,928	304,187	314,928	304,187
Total expenses	6,072,924	4,908,762	314,928	304,187	6,387,852	5,212,949
Decrease in net position	$(148,988)	$ 271,403	$ (38,613)	$ 33,649	$ (180,042)	$ 237,754

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2018 and 2017 were $1,264,706 and $875,107 respectively.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 66% of total expenses, support services equate to 31%, and interest and other expenses make up the remaining 3% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total Cost of Services		Governmental Activities Net Cost of Services	
	2018	2017	2018	2017
Instructional	$ 3,991,147	$ 3,179,654	3,131,754	2,534,075
Support Services	1,900,674	1,553,881	1,891,010	1,545,305
Other	52,254	41,594	2,084	3,663
Interest Costs	128,849	133,633	124,917	129,214
Total Expenses	$ 6,072,924	$ 4,908,762	$ 5,149,765	$ 4,212,257

Business-Type Activities

The business type activities consist of the food service program. This program had total revenues of $287,262 and expenses of $314,928 for fiscal year 2018. These revenues were made up of $90,024 charges for services and $197,238 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. The District uses the modified accrual basis of accounting for these funds to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2018 was $5,912,989 and expenditures were $5,904,872. The most significant net change in fund balance was in the building fund with an increase of $59,886, due to building up the building fund after the prior year's building project depleted the fund.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The general fund had budgeted revenues of $3,199,762 with actual results being $4,571,380. Budgeted expenditures were $3,491,936 compared to actual expenditures of $4,586,243. The most significant cause of the variance between budget and actual was the state on-behalf payments in the amount of $1,264,706, which are not budgeted.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2017-2018 with a 12% contingency. The District has adopted a budget for 2018-2019 with an 11% contingency.

The Board's obligation for contribution to the Kentucky Retirement System for classified employees increased for FY 2018 from 18.68% to 19.18%. The Teachers Retirement contribution remained the same at 3% on all non-federal employees and 16.105% for all employees paid by federal grant.

The SEEK base funding increased from $3,981 per pupil in FY 2017-2018 to $4,000 per pupil in FY 2018-2019. The General Fund will be closely monitored to support District staffing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2018 fiscal year, the District had invested $4,045,842 in a broad range of capital assets, including equipment, buses, buildings, and land net of accumulated depreciation. This amount represents a net decrease of $167,464. Depreciation expense for the year was $211,491. There is one construction project in progress, with 2018 fiscal year expenses of $18,323.

The table on the following page shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2018 and 2017.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	2018	2017	2018	2017	2018	2017
Construction in Progress	$ 18,323				$ 18,323	
Land and Improvements	24,885	$ 27,350	$ -	$ -	24,885	$ 27,350
Buildings and Improvements	3,766,662	3,924,699	-	-	3,766,661	3,924,699
Technology	3,358	11,599	-	-	3,358	11,599
Vehicles	208,793	249,160	-	-	208,793	249,160
General Equipment	-	0	23,821	499	23,821	499
Total	$ 4,022,021	$ 4,212,808	$ 23,821	$ 499	$ 4,045,842	$ 4,213,307

The table below shows the changes in capital assets for fiscal years ended June 30, 2018 and 2017.

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Beginning Balance, Restated for 2018	$ 4,212,808	$ 4,111,037	$ 26,202	$ 1,080	$ 4,239,010	$ 4,112,117
Additions	18,323	299,558	-	-	18,323	299,558
Retirements	-	-	-	-	-	-
Depreciation	(209,110)	(197,787)	(2,381)	(581)	(211,491)	(198,368)
Ending Balance	$ 4,022,021	$ 4,212,808	$ 23,821	$ 499	$ 4,045,842	$ 4,213,307

Long-Term Debt

At year-end the District had $3,745,000 in bonds outstanding and $162,871 in capital lease obligations. Bonded debt principal paid for the year ended June 30, 2018 was $225,000 and capital lease obligation principal paid was $27,217. A total of $258,104 of principal is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

BUURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	835,723		835,723
Accounts Receivable:			
Accounts	10,002	7,558	17,560
Taxes - Current	18,359		18,359
Intergovernmental - Federal	89,489		89,489
Internal Balances	5,849	(5,849)	0
Inventories for Consumption		2,591	2,591
Total Current Assets	959,422	4,300	963,722
Noncurrent Assets - Note G			
Buildings & Improvements	6,481,003		6,481,003
Furniture & Equipment	997,702	101,690	1,099,392
Constrution in Progress	18,323		18,323
Less: Accumulated Depreciation	(3,475,007)	(77,869)	(3,552,876)
Total Noncurrent Assets	4,022,021	23,821	4,045,842
TOTAL ASSETS	4,981,443	28,121	5,009,564
Deferred Ouflows Related to Other Post Employment Benefits	181,170	19,187	200,357
Deferred Outflows Related to Pensions	382,698	68,613	451,311
TOTAL DEFERRED OUTFLOWS	563,868	87,800	651,668
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,545,311	115,921	5,661,232
LIABILITIES:			
Current Liabilities:			
Accounts Payable	5,307	190	5,497
Advances from Grantors	20,893		20,893
KSBIT Assessment	1,666		1,666
Bond Obligations - Note E	230,000		230,000
Capital Lease Obligation - Note F	28,104		28,104
Accrued Interest Payable	18,328		18,328
Total Current Liabilities	304,298	190	304,488
Noncurrent Liabilities:			
Bond Obligations - Note E	3,515,000		3,515,000
Capital Lease Obligation - Note F	134,767		134,767
Net Pension Liability	1,129,647	204,088	1,333,735
Net Other Post Employment Benefits Liability	1,645,566	69,511	1,715,077
KSBIT Assessment	3,329		3,329
Accrued Sick Leave - Note A	92,532		92,532
Total Noncurrent Liabilities	6,520,841	273,599	6,794,440
TOTAL LIABILITIES	6,825,139	273,789	7,098,928
Deferred Inflows Related to Other Post Employment Benefits	29,408	3,381	32,789
Deferred Inflows Related to Pensions	133,654	22,929	156,583
TOTAL DEFERRED INFLOWS	163,062	26,310	189,372
TOTAL LIABILITIES AND DEFERRED INFLOWS	6,988,201	300,099	7,288,300
NET POSITION:			
Net Investment in Capital Assets	114,150	23,821	137,971
Restricted for:			
School Activities	12,780		12,780
Capital Projects	129,965		129,965
Food Service		(207,999)	(207,999)
Unrestricted	(1,699,785)		(1,699,785)
TOTAL NET POSITION	(1,442,890)	(184,178)	(1,627,068)
TOTAL LIABILITIES AND NET POSITION	5,545,311	115,921	5,661,232

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	3,991,147	49,516	809,877		(3,131,754)		(3,131,754)
Support Services:							
Student Support Services	161,605		3,486		(158,119)		(158,119)
Staff Support Services	203,331				(203,331)		(203,331)
District Administration	234,330				(234,330)		(234,330)
School Administration	383,075				(383,075)		(383,075)
Business Support Services	165,736				(165,736)		(165,736)
Plant Operation & Maintenance	511,225				(511,225)		(511,225)
Student Transportation	241,372		6,178		(235,194)		(235,194)
Community Service Operations	52,254		50,170		(2,084)		(2,084)
Interest on Long-Term Debt	128,849			3,932	(124,917)		(124,917)
TOTAL GOVERNMENTAL ACTIVITIES	6,072,924	49,516	869,711	3,932	(5,149,765)		(5,149,765)
BUSINESS-TYPE ACTIVITIES:							
Food Service	314,928	90,024	197,238			(27,666)	(27,666)
TOTAL BUSINESS-TYPE ACTIVITIES	314,928	90,024	197,238	0	0	(27,666)	(27,666)
TOTAL SCHOOL DISTRICT	6,387,852	139,540	1,066,949	3,932	(5,149,765)	(27,666)	(5,177,431)
GENERAL REVENUES:							
Taxes:							
Property					1,585,873		1,585,873
Motor Vehicle					154,486		154,486
Utility					146,421		146,421
Other					15,509		15,509
State Aid - Formula Grants					3,001,543		3,001,543
Investment Earnings					1,207		1,207
Miscellaneous					84,791		84,791
Funds Transfer (Expense)					10,947	(10,947)	0
TOTAL GENERAL REVENUES & TRANSFERS					5,000,777	(10,947)	4,989,830
CHANGE IN NET POSITION					(148,988)	(38,613)	(187,601)
NET POSITION, BEGINNING OF YEAR - AS RESTATED NOTE U					(1,293,902)	(145,565)	(1,439,467)
NET POSITION - ENDING					(1,442,890)	(184,178)	(1,627,068)

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	692,978		74,047	68,698	835,723
Accounts Receivable:					
Taxes - Current	18,359				18,359
Accounts	9,977	25			10,002
Interfund Receivables	74,470				74,470
Intergovernmental - Federal		89,489			89,489
TOTAL ASSETS	795,784	89,514	74,047	68,698	1,028,043
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	5,307				5,307
Interfund Payables		68,621			68,621
Advances from Grantors		20,893			20,893
Total Liabilities	5,307	89,514	0	0	94,821
Fund Balance:					
Restricted for:					
School Activities				12,780	12,780
Capital Projects			74,047	55,918	129,965
Committed for:					
Sick Leave	92,532				92,532
Assigned for:					
Purchase Obligations	1,415				1,415
Unassigned Fund Balance	696,530				696,530
Total Fund Balance	790,477	0	74,047	68,698	933,222
TOTAL LIABILITIES AND FUND BALANCES	795,784	89,514	74,047	68,698	1,028,043

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSTION
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		933,222
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	7,497,028	
Accumulated Depreciation	(3,475,007)	4,022,021
Deferred Outflows on Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		382,698
Deferred Outflows Related to Other Post Employment Benefits are not a current and therefore are not reported as assets in governmental funds.		181,170
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	(3,745,000)	
Capital Lease Obligation	(162,871)	
Net Pension Liability	(1,129,647)	
Net Other Post Empoyment Benefits Liability	(1,645,566)	
KSBIT Assessment	(4,995)	
Accrued Interest on Bonds	(18,328)	
Accrued Sick Leave	(92,532)	(6,798,939)
Deferred Inflows Related to Other Post Employment Benefits are not a current lialities and therefore are not reported as liabilities in governmental funds.		(29,408)
Deferred Inflows on Related to Pensions are not a current liability and therefore are not reported as liabilities in governmental funds.		(133,654)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		(1,442,890)

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	1,330,201		255,672		1,585,873
Motor Vehicle	154,486				154,486
Utility	146,421				146,421
Other	15,509				15,509
Earnings on Investments	1,207				1,207
Intergovernmental - State	2,821,446	410,418	99,886	84,143	3,415,893
Intergovernmental - Federal	12,986	446,307			459,293
Other Sources	78,177	31,681		24,449	134,307
TOTAL REVENUES	4,560,433	888,406	355,558	108,592	5,912,989
EXPENDITURES:					
Instructional	2,754,706	843,533		62,415	3,660,654
Support Services:					
Student Support Services	149,361	3,631			152,992
Staff Support Services	195,086				195,086
District Administration	225,391				225,391
School Administration	369,358				369,358
Business Support Services	162,317				162,317
Plant Operation & Maintenance	491,041				491,041
Student Transportation	189,230	6,435			195,665
Facilities Acquisition & Construction				18,323	18,323
Community Service Operations		52,254			52,254
Debt Service:					
Principal				252,217	252,217
Interest				129,574	129,574
TOTAL EXPENDITURES	4,536,490	905,853	0	462,529	5,904,872
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	23,943	(17,447)	355,558	(353,937)	8,117
OTHER FINANCING SOURCES(USES):					
Operating Transfers In - Note P	10,947	17,447		373,388	401,782
Operating Transfers Out - Note P	(49,753)		(295,672)	(45,410)	(390,835)
TOTAL OTHER FINANCING SOURCES	(38,806)	17,447	(295,672)	327,978	10,947
NET CHANGE IN FUND BALANCES	(14,863)	0	59,886	(25,959)	19,064
FUND BALANCES - BEGINNING	805,340	0	14,162	94,657	914,159
FUND BALANCES - ENDING	790,477	0	74,048	68,698	933,223

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		19,064
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(209,110)	
Capital Outlays	18,323	
		(190,787)
Bond and Capital Lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal Paid		252,217
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
District Pension Contributions	81,543	
Cost of Benefits Earned Net of Employee Contributions	(228,665)	
District Other Post Employment Benefits Contributions	95,549	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(123,407)	
KSBIT Assessment	1,666	
Accrued Interest Payable	725	
Accrued Sick Leave	(56,893)	
		(229,482)
CHANGES - NET POSITION GOVERNMENTAL FUNDS		(148,988)

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	
Accounts Receivable	7,558
Inventories for Consumption	2,591
Total Current Assets	10,149
Noncurrent Assets:	
Furniture & Equipment	101,690
Less: Accumulated Depreciation	(77,869)
Total Noncurrent Assets	23,821
TOTAL ASSETS	33,970
Deferred Outflows Related to Other Post Employment Benefits	19,187
Deferred Outflows Related to Pensions	68,613
TOTAL ASSETS AND DEFERRED OUTFLOWS	121,770
LIABILITIES:	
Current Liabilities:	
Account Payable	190
Interfund Payable	5,849
Total Current Liabilities	6,039
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	69,511
Net Pension Liability	204,088
Total Noncurrent Liabilities	273,599
TOTAL LIABILITIES	279,638
Deferred Inflows Related to Other Post Employment Benefits	3,381
Deferred Inflows Related to Pensions	22,929
TOTAL LIABILITIES AND DEFERRED INFLOWS	305,948
Net Position:	
Net Investment in Capital Assets	23,821
Restricted	(207,999)
Total Net Position	(184,178)
TOTAL LIABILITIES AND NET POSITION	121,770

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	90,024
Other Operating Revenues	0
TOTAL OPERATING REVENUES	90,024
OPERATING EXPENSES:	
Salaries & Benefits	170,142
Contract Services	1,297
Materials & Supplies	139,786
Depreciation - Note G	2,381
Other Operating Expenses	1,322
TOTAL OPERATING EXPENSES	314,928
OPERATING INCOME(LOSS)	(224,904)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	152,540
State Grants	27,819
Donated Commodities	16,879
Transfer Out to General Fund	(10,947)
TOTAL NONOPERATING REVENUE	186,291
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(38,613)
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	(38,613)
TOTAL NET POSITION - BEGINNING AS RESTATED	(145,565)
TOTAL NET POSITION - ENDING	(184,178)

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	90,024
Other Activities	0
Cash Paid to/for:	
Employees	(118,237)
Supplies	(122,717)
Other Activities	(2,619)
Net Cash Provided (Used) by Operating Activities	(153,549)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer Out to General Fund	(10,947)
Loan from General Fund	5,849
Federal Grants	144,982
State Grants	2,276
Net Cash Provided by Non-Capital and Related Financing Activities	142,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
Net Increase in Cash and Cash Equivalents	(11,389)
Balances, Beginning of Year	11,389
Balances, End of Year	0
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(224,904)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	2,381
State On-Behalf Payments	25,543
Donated Commodities	16,879
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	(27,605)
Deferred Inflows	16,724
Net Pension Liability	23,316
Net Other Post Employment Benefits	13,927
Inventory	-
Accounts Payable	190
Net Cash Provided (Used) by Operating Activities	(153,549)
Schedule of Non-Cash Transactions:	
Donated Commodities	16,879
State On-Behalf Payments	25,543

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	SCHOOL ACTIVITY FUNDS	PRIVATE PURPOSE TRUST FUND	TOTAL
ASSETS:			
Cash and Cash Equivalents	64,720	14,035	78,755
Investments		158,361	158,361
TOTAL ASSETS	64,720	172,396	237,116
LIABILITIES:			
Due to Student Groups	64,720		64,720
TOTAL LIABILITIES	64,720	0	64,720
NET POSITION HELD IN TRUST	0	172,396	172,396

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:	
Earnings on Investments	4,981
DEDUCTIONS:	
Instructional Grants	0
Loss in Investements	9,039
TOTAL DEDUCTIONS	9,039
Changes in Net Position	(4,058)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	176,454
NET POSITION HELD IN TRUST - END OF YEAR	172,396

See independent auditor's report and accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Burgin Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Burgin Independent Board of Education ("District"). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Burgin Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Burgin Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Burgin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. <u>Governmental Fund Types</u>

A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.

C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also us the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2018, to finance the General Fund operations were $0.695 per $100 valuation for real property, $0.695 per $100 valuation for business personal property, and $0.546 per $100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	**Governmental Activities Estimated Lives**
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

> Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

Fund Balance Type	**Amount**	**Action**
General Fund	92,532	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed,* then *assigned,* and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Major Special Revenue Fund	**Revenue Source**
Special Revenue	State, Local and Federal Grants

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

County Employees Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Changes in Accounting Principle

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75). GASB 75 replaced the requirements of GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", as amended, and GASB 57, "OPEB Measurement by Agent Employers and Agent Multi-Employer Plans". GASB 75 requires governments providing other postemployment benefits to recognize their long-term obligation for other postemployment benefits as a liability to more comprehensively and comparably measure the annual costs of other postemployment benefits. Cost-sharing governmental employers, such as the District, are required to report a net other postemployment benefit liability, other postemployment benefit expense and other postemployment benefit-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. See Note U for the impact of the adoption of this standard on beginning net position.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was $914,478. Of the total cash balance, $264,035 was covered by Federal Depository Insurance, $650,443 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2018, consisted of the following:

	Bank Balance	**Book Balance**
Farmers National Bank	966,874	900,443
Raymond James	14,035	14,035
Total Cash and Cash Equivalents	980,909	914,478

Breakdown per financial statements:

Governmental Funds	835,723
Proprietary Funds	0
Subtotal	835,723
Fiduciary Funds	14,035
Agency Funds	64,720
Total Cash and Cash Equivalents All Funds	914,478

NOTE D – INVESTMENTS

Investments stem from the estate of Ms. Ruby Proctor, left to Burgin Independent School District to be administered by the superintendent; the principal to be invested in trust-grade instruments and the annual earnings/interest to be distributed to classroom teachers. To be eligible for a "Proctor Grant" the teacher must submit an entry application for a creative, innovative, effective proposal and plan for a special classroom project that goes beyond the standard curriculum. Ms. Proctor urged that those involved in this program be liberal in creativity, to stir the imagination of the students and to build character and a love of learning.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments at June 30, 2018, consist of the following:

	Cost	Fair Value
Money Market Funds	$ 14,035	$ 14,035
Common Stock	58,138	118,295
Exchange Traded Funds	38,025	40,066
	$ 110,198	$ 172,396

All fair values listed above are valued using quoted market prices (Level 1 inputs).

While such investments are not in conformity with state law or District policy, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Burgin Independent School District Finance Corporation in the original amount aggregating $4,720,000.

The original amount of each issue and interest rates are summarized below:

2011	2,345,000	1.00% - 4.30%
2012	1,005,000	1.00% - 2.75%
2012 Refunding	1,370,000	0.70% - 3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Burgin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice if its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2018, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2018-19	230,000	119,586	28,790	320,796
2019-20	235,000	114,560	28,791	320,769
2020-21	245,000	109,244	28,791	325,453
2021-22	250,000	103,475	28,790	324,685
2022-23	255,000	97,180	28,793	323,387
2023-24	260,000	90,293	28,791	321,502
2024-25	240,000	83,235	194	323,041
2025-26	250,000	75,115	194	324,921
2026-27	260,000	65,649	195	325,454
2027-28	270,000	55,618	194	325,424
2028-29	280,000	45,030	195	324,835
2029-30	290,000	34,030	194	323,836
2030-31	300,000	22,180	194	321,986
2031-32	185,000	7,906	-0-	192,906
2032-33	195,000	2,681	-0-	197,681
	3,745,000	1,025,782	174,105	4,596,677

NOTE E – LONG TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	3,970,000	0	225,000	3,745,000	230,000
Capital Lease Obligations	190,088	0	27,217	162,871	28,104
KISBIT Assessment	6,661	0	1,666	4,995	1,666
Net OPEB Liability	0	1,645,566	0	1,645,566	0
Net Pension Liability	987,603	142,044	0	1,129,647	0
Accrued Sick Leave	35,639	56,893	0	92,532	0
Total Governmental Activities:	5,189,991	1,844,503	253,883	6,780,611	259,770
Proprietary Activities					
Net OPEB Liability	0	69,511	0	69,511	0
Net Pension Liability	180,772	23,316	0	204,088	0
Total Long-Term Liabilities	5,370,763	1,937,330	253,883	7.054,210	259,770

NOTE F - CAPITAL LEASE PAYABLE

The District is the lessee of a bus under a capital lease expiring in fiscal year 2027. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2018.

The following is a summary of property held under capital leases:

Classes of Property	Book Value as of June 30, 2018
Gross amount of assets	268,532
Accumulated Amortization	(120,044)
	148,488

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2018:

Year Ending June 30,	Capital Lease Payable
2019	32,443
2020	29,116
2021	29,070
2022	21,266
2023	19,663
2024-2017	48,594
Net minimum lease payments	180,152
Amount representing interest	(17,281)
Present value of net minimum lease payments	162,871

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital lease provides for the bus to revert to the District at the end of the respective lease with no further payment for purchase.

NOTE G - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Construction In Progress		18,323		18,323
Depreciable Assets:				-
Land Improvements	203,022			203,022
Buildings & Building Improvements	6,277,981			6,277,981
Technology Equipment	314,497			314,497
Vehicles	652,945			652,945
General Equipment	30,260			30,260
TOTAL AT HISTORICAL COST	7,478,705	18,323	-	7,497,028
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	175,672	2,465		178,137
Buildings & Building Improvements	2,353,282	158,037		2,511,319
Technology Equipment	302,898	8,241		311,139
Vehicles	403,785	40,367		444,152
General Equipment	30,260			30,260
TOTAL ACCUMULATED DEPRECIATION	3,265,897	209,110	-	3,475,007
GOVERNMENTAL ACTIVITIES CAPITAL NET	4,212,808	(190,787)	-	4,022,021
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	1,600			1,600
General Equipment - Restated	100,090			100,090
TOTALS AT HISTORICAL COST	101,690	-	-	101,690
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	1,600			1,600
General Equipment	73,888	2,381		76,269
TOTAL ACCUMULATED DEPRECIATION	75,488	2,381	-	77,869
PROPRIETARY ACTIVITIES CAPITAL NET	26,202	(2,381)	-	23,821

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:	
Instructional	153,574
District Administration	1,604
School Administration	2,865
Plant Operation & Maintenance	10,700
Student Transportation	40,367
TOTAL	209,110

NOTE H – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	$ 1,333,735
Commonwealth's proportional share of the TRS net pension liability associated with the District	18,001,268
	$ 19,335,003

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.022786% percent.

For the year ended June 30, 2018, the District recognized pension expense of $266,197 related to CERS and $639,578 related to TRS. The District also recognized revenue of $639,578 for TRS support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 1,654	$ 33,856
Changes of assumptions	246,110	-
Net difference between projected and actual earnings on pension plan investments	105,630	89,133
Changes in proportion and differences between District contributions and proportionate share of contributions	2,989	33,594
District contributions subsequent to the measurement date	94,928	-
Total	$ 451,311	$ 156,583

$94,928 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	89,512
2020	88,108
2021	39,305
2022	(17,125)
2023	-

Actuarial assumptions—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Projected salary increases	3.5-7.3%, includes inflation
Cost of living adjustments	1.50% annually
Inflation rate	3.00%

County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	6.25%, net of pension plan investment expenses, including inflation
Projected salary increases	3.05% average, includes inflation
Inflation rate	2.30%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	42.00%	4.40%
International Equity	20.00%	5.30%
Fixed Income	16.00%	1.50%
Additional Categories	9.00%	3.6%
Real Estate	5.00%	4.40%
Alternatives	6.00%	6.7%
Cash	2.0%	.8%
Total	100.0%	

For CERS the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.0%	1.5%
Total	100.0%	6.56%

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,682,128	1,333,735	1,042,306
TRS	3.49%	4.49%	5.49%
District's proportionate share of net pension liability	0	0	0

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE I – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

<u>Teachers' Retirement System of Kentucky</u>

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/financial-reports-information.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2018, the Burgin Independent District reported a liability of $1,257,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .03525 percent, which is the same as it's proportion measured as of June 30, 2016.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 1,257,000
State's proportionate share of the net OPEB liability associated with the District	1,027,000
Total	$ 2,284,000

For the year ended June 30, 2018, the District recognized OPEB expense of $97,697 and revenue of $49,946 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	8,806
Changes in proportion and differences between District contributions and proportionate share of contrbutions	-	-
District contributions subsequent to the measurement date	64,272	-
Total	64,272	8,806

Of the total amount reported as deferred outflows of resources related to OPEB, $64,272 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	$ (2,202)
2020	(2,201)
2022	(2,202)
2023	(2,201)
2024	-
Thereafter	-

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

**Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	1,463,782	1,257,000	1,084,869

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	1,052,703	1,257,000	1,509,228

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	
State's proportionate share of the net OPEB liability associated with the District	14,000
Total	$ 14,000

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*
***Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

County Employees' Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Burgin Independent School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member's initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	Paid By Insurance Fund (%)
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2018 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2018, the Burgin Independent District reported a liability of $458,077 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .0022786 percent, which is the same as it's proportion measured as of June 30, 2016.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 458,077
State's proportionate share of the net OPEB liability associated with the District	-0-
Total	$ 458,077

For the year ended June 30, 2018, the District recognized OPEB expense of $43,946. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,272
Changes of assumptions	99,675	-
Net difference between projected and actual earnings on pension plan investments	-	21,648
Changes in proportion and differences between District contributions and proportionate share of contrbutions	-	1,063
District contributions subsequent to the measurement date	36,410	-
Total	136,085	23,983

Of the total amount reported as deferred outflows of resources related to OPEB, $36,410 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	$ 13,024
2020	13,024
2021	13,024
2021	13,024
2023	18,436
Thereafter	5,160

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pat
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	7.50%
Projected salary increases	4.00% average
Inflation rate	3.25%
Payroll Growth Rate	4.00%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table Projected with Scale BB to 2013 (Set-back for one year for females) For Disabled members, the RP-2000 Combined Disability Mortality Table projected with Scale BB to 2013(set back four years for males) is used for period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.0%	1.5%
Total	100.0%	6.56%

Discount rate - The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.84%	5.84%	6.84%
District's proportionate share of net OPEB liability	582,877	458,077	354,223

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Systems' net pension liability	351,368	458,077	596,791

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE J – COMMITMENTS

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2018, as follows:

Year ending June 30:	
2019	2,555
2020	2,555
Total minimum payments	5,110

NOTE K – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE L– INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers' Compensation insurance.

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Ohio Casualty Insurance Association.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N– DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of $176,619 at June 30, 2018. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	353,000
Special Revenue Fund	17,447
District Activity Fund	28,024
Construction Fund	18,323

NOTE O – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	17,447
Operating	General	Debt Service	Debt Service	11,918
Operating	General	Construction	Construction	20,388
Operating	Capital Outlay	Debt Service	Debt Service	45,410
Operating	Building	Debt Service	Debt Service	295,672
		Subtotal Governmental Fund Transfers		390,835
Operating	Food Service	General	Indirect Costs	10,947
		Total Transferred Funds		401,782

NOTE Q – INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue	$68,621
General Fund	Food Service	$ 5,849

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE R – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 31, 2018. There are no material subsequent events to disclose.

NOTE S – ON-BEHALF PAYMENT

For the year ended June 30, 2018, $1,264,706 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

Teachers Retirement System (GASB 68 Schedule A)	$639,578
Teachers Retirement System (GASB 75)	49,946
Health Insurance	503,313
Life Insurance	877
Administrative Fee	7,249
HRA/Dental/Vision	43,750
Federal Reimbursement	(34,453)
Technology	25,655
SFCC Debt Service Payments	28,791
Total	$1,264,706

NOTE T – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between $50 million and $60 million. As of June 30, 2018, Burgin Independent School District's remaining assessment is valued at $4,995. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment over a seven year period with the final payment in fiscal year 2021.

Year Ending June 30,	KSBIT Assessment Payable
2019	$ 1,666
2020	1,665
2021	1,664
Total	$ 4,995

NOTE U – NET POSITION, AS RESTATED

Governmental Accounting Standards Board statement 75 requires changes to the beginning balances of the Statement of Net Position. Beginning net position of the government activities was decreased $1,465,946 and the beginning net position of the proprietary activities was decreased by $51,490 to reflect the District's proportionate share of the unfunded Other Postemployment Benefits (OPEB) liability of the County Employee Retirement System and Teachers Retirement System. Additionally, beginning net position of the Governmental Activities was understated by $134,257 and the net position of the Business-Type Activities was overstated by $108,554. Below are the details of the restatement:

	Government Activities	Business-Type Activities
Net Position June 30, 2017	$ 37,787	$ 14,479
Deferred Outflows Related to Pensions Allocation	(56,101)	56,101
Net Pension Liability Allocation	180,772	(180,772)
Deferred Inflows Related to Pensions Allocation	9,586	(9,586)
Deferred Outflows OPEB Related	82,772	4,094
Net OPEB Liability	(1,548,718)	(55,584)
Understatement of Fixed Assets	0	25,703
Beginning Net Position, As Restated	$ (1,293,902)	$ (145,565)

REQUIRED SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	1,492,971	1,492,971	1,646,617	153,646
Other Local Sources	850	850	1,207	357
State Sources	1,622,957	1,622,957	2,821,446	1,198,489
Federal Sources	18,400	18,400	12,986	(5,414)
Other Sources	64,584	64,584	89,124	24,540
TOTAL REVENUES	3,199,762	3,199,762	4,571,380	1,371,618
EXPENDITURES:				
Instructional	1,991,854	1,991,854	2,754,706	(762,852)
Student Support Services	146,777	146,777	149,361	(2,584)
Staff Support Services	168,187	168,187	195,086	(26,899)
District Administration	173,829	173,829	225,391	(51,562)
School Administration	189,786	189,786	369,358	(179,572)
Business Support Services	118,857	118,857	162,317	(43,460)
Plant Operation & Maintenance	481,007	481,007	491,041	(10,034)
Student Transportation	174,332	174,332	189,230	(14,898)
Other	47,307	47,307	49,753	(2,446)
TOTAL EXPENDITURES	3,491,936	3,491,936	4,586,243	(1,094,307)
NET CHANGE IN FUND BALANCE	(292,174)	(292,174)	(14,863)	277,311
FUND BALANCES - BEGINNING	292,174	292,174	805,340	0
FUND BALANCES - ENDING	0	0	790,477	277,311

On-behalf payments totaling $1,216,0197 are not budgeted by the Burgin Independent School District.

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	386,873	386,873	410,418	23,545
Federal Sources	432,995	432,995	446,307	13,312
Other Sources	35,226	35,226	49,128	13,902
TOTAL REVENUES	855,094	855,094	905,853	50,759
EXPENDITURES:				
Instructional	794,408	794,408	843,533	(49,125)
Student Support Services	3,631	3,631	3,631	0
Staff Support Services			0	0
District Administration			0	0
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance			0	0
Student Transportation	4,942	4,942	6,435	(1,493)
Central Office			0	
Community Service Operations	52,113	52,113	52,254	(141)
Facility Acquisition & Construction			0	
Other			0	0
TOTAL EXPENDITURES	855,094	855,094	905,853	(50,759)
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See accompanying auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	$ -	-	-	-
State of Kentucky's share of the net pension liability associated with the district	$ 12,930,430	15,488,946	19,315,786	18,001,268
TOTAL	12,930,430	15,488,946	19,315,786	18,001,268
District's covered-employee payroll	$ 2,077,886	2,183,903	2,226,972	2,362,260
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	66.20%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018
District's proportion of net pension liability	0.023568%	0.024138%	0.023730%	0.022786%
District's proportionate share of the net pension liability	$ 765,000	1,037,859	1,168,375	1,333,735
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-
TOTAL	$ 765,000	1,037,859	1,168,375	1,333,735
District's covered-employee payroll	$ 563,194	567,992	559,439	655,580
District's proportionate share of the net pension liability as a percentage of its covered-payroll	135.84%	182.73%	208.85%	203.44%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	63.46%	55.50%	53.30%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018
Contractually required contributions (actuarially determined)	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 2,077,886	$ 2,183,603	$ 2,226,972	$ 2,362,260
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018
Contractually required contributions (actuarially determined)	$ 71,807	$ 70,545	$ 78,042	$ 94,928
Contributions in relation to the actuarially determined contributions	71,807	70,545	78,042	94,928
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 563,194	$ 567,992	$ 559,439	$ 655,580
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
District's proportion of net OPEB liability	0.022786%
District's proportionate share of the net OPEB liability	458,077
State of Kentucky's share of the net OPEB liability associated with the district	-
TOTAL	458,077
District's covered-employee payroll	655,580
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	69.87%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
District's proportion of net OPEB liability	0.3085%
District's proportionate share of the net OPEB liability	1,257,000
State of Kentucky's share of the net OPEB liability associated with the district	1,027,000
TOTAL	2,284,000
District's covered-employee payroll	$ 2,362,260
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	53.21%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
District's proportion of net OPEB liability	0.0000%
District's proportionate share of the net OPEB liability	-
State of Kentucky's share of the net OPEB liability associated with the district	36,000
TOTAL	36,000
District's covered-employee payroll	$ 2,362,260
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
Contractually required contributions (actuarially determined)	$ 30,812
Contributions in relation to the actuarially determined contributions	30,812
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 655,580
Contributions as a percentage of Covered employee payroll	4.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
Contractually required contributions (actuarially determined)	$ 64,272
Contributions in relation to the actuarially determined contributions	64,272
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 2,142,414
Contributions as a percentage of Covered employee payroll	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018
Contractually required contributions (actuarially determined)	$ -
Contributions in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 2,362,260
Contributions as a percentage of Covered employee payroll	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.00 to 8.20 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015
The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 20013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016
There were no changes of assumptions for the year ended June 30, 2016.

2017
The following changes were made by the KRS Board of trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents		53,853	2,065	12,780	68,698
TOTAL ASSETS	0	53,853	2,065	12,780	68,698
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable					0
Total Liabilities	0	0	0	0	0
Fund Balances:					
Restricted for:					
School Activities				12,780	12,780
Capital Projects		53,853	2,065		55,918
Unassigned Fund Balance					0
Total Fund Balances	0	53,853	2,065	12,780	68,698
TOTAL LIABILITIES AND FUND BALANCES	0	53,853	2,065	12,780	68,698

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Intergovernmental - State	28,791	45,410		9,942	84,143
Other Sources				24,449	24,449
TOTAL REVENUES	28,791	45,410	0	34,391	108,592
EXPENDITURES:					
Instructional				62,415	62,415
Facilities Acquisition & Construction			18,323		18,323
Debt Service:					
Principal	252,217				252,217
Interest	129,574				129,574
TOTAL EXPENDITURES	381,791	0	18,323	62,415	462,529
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(353,000)	45,410	(18,323)	(28,024)	(353,937)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In	353,000		20,388		373,388
Operating Transfers Out		(45,410)			(45,410)
TOTAL OTHER FINANCING SOURCES(USES)	353,000	(45,410)	20,388	0	327,978
NET CHANGE IN FUND BALANCES	0	0	2,065	(28,024)	(25,959)
FUND BALANCES - BEGINNING		53,853	0	40,804	94,657
FUND BALANCES - ENDING	0	53,853	2,065	12,780	68,698

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	FUND BALANCE JULY 1, 2017	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2018
Burgin School Activity Funds	68,731	194,195	198,206	64,720
Total Activity Funds (Due to Student Groups)	68,731	194,195	198,206	64,720

See independent accountant's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	CASH BALANCE JULY 1, 2017	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2018	ACCOUNTS RECEIVABLE JUNE 30, 2018	ACCOUNTS PAYABLE JUNE 30, 2018	FUND BALANCE JUNE 30, 2018
Principals Fund	542	102	131	513			513
AP Testing	0	2,209	2,209	0			0
A.R.T.S. Program	200	0	88	112			112
PTO Donations	214	151	196	169			169
PTO Donations Bus	40	0	0	40			40
Student Coke	102	61	93	70			70
Faculty Coke	0	61	0	61			61
Technology/Handbook Fines	180	99	0	279			279
Student Pencil	50	0	47	3			3
Master Lock Fund	20	25	45	0			0
Parking Tags	0	690	690	0			0
School Pictures	1,620	2,476	2,811	1,285			1,285
Flower Fund	0	116	98	18			18
Donations	36	0	0	36			36
Burgin Family	781	150	931	0			0
FRYSC Backpack Snacks	1,527	0	1,527	0			0
Tackett Class	22	227	222	27			27
Hudgins Class	73	44	50	67			67
Hall Class	13	100	102	11			11
Renner Class	337	2,631	2,921	47			47
James Class	36	95	99	32			32
Secton Class	0	519	479	40			40
Harmon Class	215	0	97	118			118
Booker Class	0	215	211	4			4
Henson Class	108	1,168	1,092	184			184
Boyd Class	25	1,146	980	191			191
Berketis Class	0	146	146	0			0
N. Short Class	896	1,276	1,530	642			642
Wilson Class	34	972	992	14			14
Sewell Class	0	368	360	8			8
Robinson Class	102	66	0	168			168
Shewmaker Class	8	854	846	16			16
Yates Class	0	1,009	1,009	0			0
High School Fee	0	3,661	3,661	0			0
Student Laptop Purchase	0	9,900	9,900	0			0
Middle School Fee	0	3,586	3,586	0			0
Primary Fee	0	4,305	4,305	0			0
General Athletic	1,916	20,155	22,068	3			3
BG Conference	1,407	0	459	948			948
Concessions	4,651	9,144	9,454	4,341			4,341
Little League Basketball	1,340	3,330	2,836	1,834			1,834
Banners/Baseball	0	2,850	2,850	0			0
HS Boys Basketball	2,064	4,461	3,911	2,614			2,614
HS Girls Basketball	3,686	4,964	4,348	4,302			4,302
MS Boys Basketball	1,344	2,707	4,051	0			0
MS Girls Basketball	3,271	2,150	3,829	1,592			1,592
HS Baseball	1,320	7,843	8,025	1,138			1,138
Track Team	2,557	5,211	7,109	659			659
Cross Country	2,642	2,126	2,806	1,962			1,962
MS Cross Country	1,071	300	350	1,021			1,021

Softball	2,407	5,200	6,580	1,027			1,027
MS Softball	560	0	0	560			560
MS Cheerleading	744	1,448	2,112	80			80
HS Cheerleading	1,009	5,905	6,660	254			254
MS Baseball	884	0	884	0			0
Volleyball	460	1,892	1,875	477			477
Fishing Team	2,337	9,481	3,255	8,563			8,563
Academis Team	0	579	243	336			336
FCCLA	272	2,149	2,362	59			59
Greenhouse	2,354	3,102	2,085	3,371			3,371
Science Club	365	244	251	358			358
Spanish Club	150	1,441	1,585	6			6
Student Council	68	25	25	68			68
MS Comm Changers	41	0	0	41			41
STLP Club	149	0	0	149			149
Pep Club	127	0	127	0			0
Art Club	129	1,233	1,006	356			356
T.A.T.U. Club	107	0	0	107			107
Hiking Club	70	0	0	70			70
Y-Club	1,578	2,372	2,780	1,170			1,170
MS Y-Club	1,146	8,523	7,369	2,300			2,300
T.A.S.A.	30	0	0	30			30
FFA	0	2,461	2,079	382			382
Good News club	1,099	1,314	1,000	1,413			1,413
Rugby Club	154	0	0	154			154
MS Clubs	8	0	0	8			8
Natl Honor Society	1,063	300	558	805			805
MS Academic Team	87	1,079	1,105	61			61
Elementary Academy	474	665	909	230			230
Gifted/Talented 9-12	564	0	0	564			564
Elementary Music	10	2,065	2,069	6			6
Book Drive	38	0	0	38			38
Library Coffee Shop	19	0	0	19			19
Book Fair	16	6,495	6,511	0			0
Yearbook	2,921	3,520	2,530	3,911			3,911
Music Fundraiser	290	8,659	8,776	173			173
Multimedia Fundraising	68	0	68	0			0
Family Consumer	1	800	800	1			1
PE Fundraising	3,777	2,854	1,642	4,989			4,989
Seniors 2018	2,446	8,296	10,742	0			0
Seniors 2019	4,016	3,122	3,221	3,917			3,917
Seniors 2020	965	2,096	485	2,576			2,576
Seniors 2021	421	109	0	530			530
Seniors 2022	50	433	0	483			483
Fieldtrip Bus	0	7,626	7,626	0			0
Enrichment Field Trip	0	456	430	26			26
HS Misc Field Trips	242	1,857	1,743	356			356
8th Grade Field Trips	0	7,174	7,174	0			0
MS Misc Field Trips	565	4,406	4,844	127			127
Total All Funds	68,731	213,050	217,061	64,720	0	0	64,720
Interfund Transfers	0	(18,855)	(18,855)	0	0	0	0
Total	68,731	194,195	198,206	64,720	0	0	64,720

BURGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2018

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 31, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burgin Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burgin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burgin Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burgin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements.*

We noted certain matters that we reported to management of Burgin Independent School District in a separate letter dated October 31, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
(270) 692-3615
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 31, 2018

MANAGEMENT LETTER

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

In planning and performing our audit of the financial statements of Burgin Independent School District for the year ended June 30, 2018, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2018, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendations – School Activity Funds

2017 -1 Prior Year Recommendation

During the audit of the school activity fund, there were multiple instances where club sponsors expended funds without completing a properly approved purchase order. The sponsors turned in the invoices related to the expenditures before they prepared a purchase order for approval. Accounting procedures for school activity funds require that all purchases be supported by a properly approved purchase order prior to the commitment of funds.

Current Year Status:

No such instances were found in the current year.

Current Year District Recommendation:

2018-1 Current Year Recommendation:

During current year testing, auditors noted that two separate disbursements were made without appropriate supporting documentation such as the applicable invoice or receipt. We recommend that all disbursements contain proper supporting documentation in accordance with District policies and procedures.

Management Response:

We will take measures to ensure that all disbursements are properly documented.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
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Charles M. White, CPA
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October 31, 2018

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 24, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Burgin Independent School District are described in Note A to the financial statements. In 2018 the District adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* No other new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by Burgin Independent School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Burgin Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Burgin Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 56 and 57, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 58-59 and 62-64, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 60-61 and 65-67, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Burgin Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants